

# Revenue REVIEW

A Quarterly Publication of the Alabama Department of Revenue

1<sup>st</sup>  
Quarter  
FY 2004

(October, November,  
December 2003)

## Tax Season 2004

The 2004 individual income tax filing season kicks off Jan. 16, when the Alabama Department of Revenue begins accepting electronically-filed individual income tax returns for tax year 2003.

Following are some improvements in e-filing options and ADOR Web site features:

- Under the IRS Joint Fed/State Electronic Filing Program, state income tax returns are filed electronically along with federal income tax returns. Taxpayers can

electronic transmitters do charge a fee for return transmission (exceptions given to low income wage earners and active duty military personnel.)

- Direct deposit is available.
- ADOR's new Web site design is more accessible for the e-filer. Click on "E Services."

- Taxpayers can check refund status by visiting the department's Web site,

www.ador.state.al.us or by calling the refund hotline number (334)353-2540. Required information includes social security number, type of return filed, filing status, the whole dollar refund amount claimed.

Due to limited resources, the ADOR will not participate in the IRS Volunteer Income Tax Assistance (VITA) as it has in years past.

### E-filed Returns

1997	116,465
1998	211,303
1999	373,277
2000	445,933
2001	530,381
2002	653,825

contact their local tax preparation services or access a listing of electronic preparers at the IRS Web site ([www.irs.gov](http://www.irs.gov)).

- With the Fed/State STATE-ONLY Filing Program, tax preparers can file federal and state tax returns together or separately. However, not all software providers may offer a "State-Only" option.

- ADOR's free PC Online Filing Program offers taxpayers the opportunity to e-file from home, using their choice of approved software providers. The ADOR Web site ([www.ador.state.al.us](http://www.ador.state.al.us)) lists various e-filing software providers, accessible by locating "E Services" and clicking on "PC Online Filing." ADOR does not charge for the program, although all approved ADOR

## Combined Federal/ State Filing Program

The State of Alabama participates in the Combined Federal/State Filing (CF/SF) Program. The Combined Federal/State Filing Program was established to simplify information return filings for taxpayers. The CF/SF Program allows the IRS to forward electronically-filed information returns to participating states free-of-charge for approved filers, thus eliminating separate reporting to those states. Since Alabama is a participant in the CF/SF Program, Alabama taxpayers electronically filing the following information returns with the IRS are not required to file separate information returns with the ADOR.

Form 1099-DIV	Dividends and Distributions
Form 1099-G	Certain Government Payments
Form 1099-INT	Interest Income
Form 1099-MISC	Miscellaneous Income
Form 1099-OID	Original Issue Discount
Form 1099-PATR	Taxable Distributions Received from Cooperatives

Form 1099-R Distributions from Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.

Form 5498 IRA Contribution Information

Any payer who issues 250 or more information returns is required to file electronically with the IRS. The payer must complete Form 4419, Application for Filing Information Returns Electronically/Magnetically. The payer will be issued a Transmittal Control Code Number (TCC number). The TCC number is used to transmit the test data. If the test data is acceptable, the payer will be sent a Form 6847. This is a federal consent form that authorizes release of the electronic information returns to the states of the payer's choice. Filers must write their TCC on Form 6847.

For more information, visit the IRS Web site and review IRS Publication 1220, Part A, Section 13 at [www.irs.gov](http://www.irs.gov).

# ADOR Offers Online Filing and Payment for Withholding Taxes

The Alabama Department of Revenue expanded its electronic filing initiative in December 2003 with the option of filing and payment of state income tax withholding online.

Alabama employers were able to prepare, file and pay their state income tax withholding online, beginning with the November 2003 return, which was due December 15.

During mid-November, the ADOR mailed notices to all Alabama employers informing them of the new electronic filing and payment program and providing them with the necessary Taxpayer Sign-On Identification Numbers and Access Codes.

Business taxpayers can file by using the Internet, accessing the department's Web site at [www.ador.state.al.us](http://www.ador.state.al.us), or by telephone, using ADOR's new telephone-based filing system.

There are no filing or transaction fees that must be paid before a return is electronically filed, according to State Revenue Commissioner Dwight Carlisle. Since the telephone-based filing system is accessed by a 1-800 telephone number, no long-distance service charges apply to filers who prefer the telephone-based filing system over the Internet-based filing system.

To access either the Internet filing or telephone filing system, taxpayers will use their assigned ID numbers and access codes to enter the filing system of their choice and begin to prepare their returns. The department's online filing service will calculate the taxes due for the reporting period, electronically submit the tax return information to the Alabama Department of Revenue, and provide confirmation to the business taxpayer that the return information has been received. The actual payment of the taxes will be handled through electronic funds transfer—a process that allows tax payments to be electronically debited from the taxpayer's bank account, upon approval, and electronically trans-

ferred to the Alabama Department of Revenue.

In addition to the obvious filing benefits offered to business taxpayers, Carlisle noted several cost-saving benefits of electronic filing.

"As more and more business taxpayers take advantage of electronic filing, the department's printing, data entry, and mailing costs will be significantly reduced or even eliminated in some areas, resulting in greater overall savings to taxpayers," explained Carlisle.

In September 2003, the ADOR announced its new mandatory sales, use,

and business tax paperless filing and payment system, effective Nov. 1, 2003. During October and November 2003, over 100,000 state and state-administered local sales, use, lodgings, and rental tax returns were filed electronically. Carlisle estimates savings in the sales, use, and business tax filing area alone will total some \$1 million.

"While electronic filing is not mandated for other tax areas, we are working very hard to expand our online filing and payment programs to include all tax areas. Our goal is to have a paperless filing environment for all monthly and quarterly business tax returns," said Carlisle.

For more information concerning the free state income withholding tax online filing option, contact the department's Individual and Corporate Tax Division at (334) 242-1300, or visit the department's Web site at [www.ador.state.al.us](http://www.ador.state.al.us).

## ADOR Settles Local Tobacco Tax Case

The Alabama Department of Revenue recently settled a local tobacco tax case in Mobile County which awarded the county school system \$2.8 million.

ADOR Assistant Counsel Wade Hope appeared before the Mobile County school board at its monthly meeting to present board members with a copy of a \$1 million check that earlier had been certified and deposited to the Mobile County School System's account, along with copies of court documents providing for an additional \$1.8 million in installment payments destined for the county school system's coffers beginning December 2003 and continuing through November 2008.

The Mobile County School System is the sole beneficiary of the \$2.8 million settlement.

ADOR's settlement with Mississippi tobacco wholesaler Wigley & Culp occurred Oct. 31, 2003, after more than four years of litigation.

In 1999, the ADOR issued an assessment of over \$1 million in taxes against the Mississippi wholesaler for its failure to pay

a five-cent Mobile County tobacco tax on its cigarette sales in Mobile County during the period May 1995 through June 1998. ADOR issued six additional assessments for subsequent periods that were appealed by the Mississippi wholesaler. The dispute continued until a settlement was reached on Oct. 31, 2003. The \$2.8 million figure includes local tax, penalty and interest amounts covering the period May 1995 through June 2003.

The five-cent Mobile County tax is specifically earmarked for the Mobile County School System and is administered by the ADOR.

ADOR currently administers twenty-one county cigarette and tobacco taxes, and as part of its local tax collection service is responsible for litigating any local tax matters on behalf of counties and cities administered by the ADOR.

"The department is very pleased to settle this matter on the county's behalf and deliver a fair financial settlement to the school board, especially during these times of budget shortfalls," said Hope.

## Mobile County Business Owner Pleads Guilty to State Sales Tax Charges

**A** Mobile County business owner pleaded guilty Nov. 14, 2003, in Mobile County Circuit Court before Judge William H. McDermott to charges of willful failure to pay state sales taxes to the Alabama Department of Revenue over a four-year period.

Ali Abdi Jama, 47, owner of D.I.P. Food Market, located at 815 Dauphin Island Parkway, Mobile, Ala., pleaded guilty to four counts of willfully filing false sales tax returns during the period July 1, 1999, through June 30, 2002.

According to court documents, Judge McDermott ordered Jama to make full restitution of all state sales taxes, interest, and penalties owed the state. Jama was ordered to pay \$19,951.03 on the day of his sentencing toward his sales tax liability. Jama's conviction carried a one-year suspended jail sentence with two years' probation.

Commenting on the conviction, State Revenue Commissioner Dwight Carlisle commended the Mobile County District Attorney's Office in its prosecution of the case and ADOR Special Agent Robert McVay and Revenue Examiners Jim Cronin and Danny Leathers in their handling of the case.

## IRS Interest Rate to Remain at 4%

**T**he interest rate for the calendar quarter beginning Jan. 1, 2004, will remain at four percent (4% APR) for underpayments, according to the Internal Revenue Service's "News Room" webpage, citing News Release IR-2003-138.

According to §40-1-44, *Code of Alabama 1975*, the Alabama Department of Revenue will calculate interest on underpayments and overpayments (where applicable) at this same annual rate (4%), with the exception of land sold by the state for taxes, which shall be calculated at 12% as provided for under Sec. 40-5-9.

### NOTICE

## ADOR Discontinues Bulk Printing and Mailing of Business Privilege Tax Returns

**T**he ADOR will no longer print and mail business privilege tax returns in bulk. A limited number of these returns and related forms will be available at the ADOR Taxpayer Service Centers and through downloading from the ADOR Web site at [www.ador.state.al.us](http://www.ador.state.al.us).

"The majority of the 120,000 returns mailed out in the past have not been used," said State Revenue Commissioner Dwight Carlisle. "Also, these returns are either computer-generated by paid preparers or by the business taxpayers' in-house accounting departments. By discontinuing the bulk mailing and printing, the state will realize enormous cost savings of taxpayer dollars."

Over the last two years, the ADOR discontinued the printing and mailing of over 100,000 corporate income, S-corporation,

partnership income, and trust forms as more and more taxpayers and tax preparers chose to generate their own returns.

### REMINDER

## Gasoline Tax Refund Claims Deadline March 31

**M**arch 31 is the deadline for farmers to file state gasoline tax refund claims with the Alabama Department of Revenue, for gasoline purchased from Jan. 1, 2003, through Dec. 31, 2003. Taxes will be refunded at the rate of 15 cents per gallon.

The following stipulations apply:

- The gasoline is used for agricultural purposes.
- Refunds apply to the tax levied only on gasoline, not on diesel fuel.
- Refunds apply to gasoline used only in tractors or auxiliary engines attached to tractors, not to gasoline used in farm trucks.
- Refund claims must be postmarked no later than March 31, 2004.

## Interest Rates By Calendar Quarter

(Established by: 26 USCA §6621; §40-1-44, *Code of Alabama 1975*)

	1ST QTR	2ND QTR	3RD QTR	4TH QTR
<b>1982</b>	20%	20%	20%	20%
<b>1983</b>	16%	16%	11%	11%
<b>1984</b>	11%	11%	11%	11%
<b>1985</b>	13%	13%	11%	11%
<b>1986</b>	10%	10%	9%	9%
<b>1987</b>	9%	9%	9%	10%
<b>1988</b>	11%	10%	10%	11%
<b>1989</b>	11%	12%	12%	11%
<b>1990</b>	11%	11%	11%	11%
<b>1991</b>	11%	10%	10%	10%
<b>1992</b>	9%	8%	8%	7%
<b>1993</b>	7%	7%	7%	7%
<b>1994</b>	7%	7%	8%	9%
<b>1995</b>	9%	10%	9%	9%
<b>1996</b>	9%	8%	9%	9%
<b>1997</b>	9%	9%	9%	9%
<b>1998</b>	9%	8%	8%	8%
<b>1999</b>	7%	8%	8%	8%
<b>2000</b>	8%	9%	9%	9%
<b>2001</b>	9%	8%	7%	7%
<b>2002</b>	6%	6%	6%	6%
<b>2003</b>	5%	5%	5%	4%
<b>2004</b>	4%			

## Required Monthly Returns Tax Activity

- 10<sup>th</sup>**
- Medicaid-related tax return and payment due for nursing facilities.
  - Tobacco use tax return and payment due.
- 15<sup>th</sup>**
- Gasoline information return due from carriers, transporters, and warehouses.
  - Lubricating oils information return due from carriers, transporters, and warehouses.
  - Motor carrier mileage tax return and payment due.
  - Oil and gas production tax and privilege tax return and payment due two months following month of production.
  - Withholding return and payment due from those employers required to remit on a monthly basis.
- 20<sup>th</sup>**
- Aviation fuel tax return and payment due.
  - Coal severance tax return and payment due.
  - Coal transporters' and purchasers' returns due.
  - Contractors' gross receipts tax return and payment due.
  - Gasoline tax return and payment due.
  - Iron ore severance tax return and payment due.
  - Local solid minerals tax returns and payments due.
  - Lodgings tax return and payment due.
  - Lubricating oils tax return and payment due.
  - Medicaid tax return and payment due from pharmaceutical service providers.
  - Mobile telecommunications tax return and payment due.
  - Motor fuel tax return and payment due.
  - Pari-mutuel pool tax return and payment due.
  - Rental or leasing tax return and payment due.
  - Sales tax (state and local) return and payment due.
  - Scrap Tire Environmental Fee due.
  - Tobacco tax (state and county) return and payment due.
  - Underground and aboveground storage tank trust fund charge due.
  - Use tax return and payment due.
  - Utility gross receipts tax return and payment due.
- 30<sup>th</sup>**
- Hazardous waste fee return and payment due.
- Last day of month**
- State horse wagering fee return and payment due.

## Quarterly/Annual Tax Activity

(March, April, May 2004)

### March

- 1**
- Freight line equipment return due.
  - Public utility property tax return delinquent after this date.
- 15**
- Corporate income tax return and information return due (for calendar-year taxpayers).
  - Business Privilege Tax return (Form PSA) due for corporations.

### April

- 1**
- Annual Dry Cleaning Trust Fund Fee return and payment due by wholesalers of dry cleaning agents.
  - Quarterly Dry Cleaning Trust Fund Fee return and payment due.
  - Utility license (2.2%) third quarterly payment due.
- 15**
- First installment of estimated personal income tax due.
  - Financial institutions' excise tax return and payment due.
  - Business Privilege and Corporate Shares tax return (Form PSA) due for limited liability entities.
  - First installment of estimated corporate income tax due (for calendar-year taxpayers).

**NOTE: Other fiscal-year taxpayers pay their corporate estimated tax on the 15th day of the fourth, sixth, ninth and twelfth months of their tax year and file their return on the 15th day of the third month following the close of their tax year.**

- Partnership income tax return due.
- Personal income tax return and payment due.

- 20**
- Quarterly sales tax return and payment due.
  - Quarterly use tax return and payment due.
  - Quarterly rental or leasing tax return and payment due.

- 30**
- Forest products' severance tax return and payment due.
  - Quarterly withholding return and payment due from employer.
  - Quarterly IFTA tax return and payment due.

## Statement of Gross Tax Collections

Through End of FYTD 2004 1st Quarter  
(Oct., Nov., Dec. '03)

	FYTD '2003-2004	FYTD '2002-2003	% Change
Business Privilege Tax	\$ 5,269,803.82	\$ 6,670,123.81	(20.99)
Gasoline	99,104,633.99	95,848,332.63	3.40
Income Tax-Corporate	70,830,727.46	38,629,616.56	83.36
Income Tax-Individual	572,253,231.85	533,537,390.84	7.26
Income Tax (Total)	643,083,959.31	572,167,007.40	12.39
Motor Fuels	31,919,974.90	27,315,648.08	16.86
Oil & Gas Privilege (8%)	15,633,298.45	11,889,550.20	31.49
Oil & Gas Production (2%)	6,273,934.91	4,590,995.35	36.66
Sales	424,926,992.82	385,071,179.09	10.35
Use Tax	52,473,262.23	48,338,988.31	8.55
Utility Gross Receipts	82,037,782.57	80,658,593.93	1.71
<b>SUBTOTAL</b>	<b>1,360,723,643.00</b>	<b>1,232,550,418.80</b>	<b>10.40</b>
<b>SUBTOTAL (OTHER TAXES)</b>	<b>155,535,775.44</b>	<b>152,826,189.89</b>	<b>1.77</b>
<b>TOTAL (ALL TAXES)</b>	<b>\$1,516,259,418.44</b>	<b>\$1,385,376,608.69</b>	<b>9.45</b>

# Administrative Rules

**Effective Feb. 10, 2004  
Adopted:**

8-10-5-1-.227.07 Memorandum of Understanding Between the Alabama Department of Environmental Management and the Alabama Department of Revenue

*Revenue Review* is published quarterly by the Alabama Department of Revenue Media Affairs Section. Comments or suggestions should be sent to: cblackstock@revenue.state.al.us, telephone (334) 242-1390 or (334) 242-1175. Dwight Carlisle, Commissioner; Cynthia Underwood, Assistant Commissioner; Lewis A. Easterly, Department Secretary; Carla A. Snellgrove, Public Information Manager; Carolyn Blackstock, Editor; and Mickey Godwin, layout and design.